

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Grain and Feed Update

Quarterly Update

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Report Highlights:

Corn shipments continue to be blocked due to detections of biotechnology events not yet approved in China, causing estimated MY2013/14 corn imports to fall to five million tons. Despite the fall in imports, corn ending stocks are predicted to reach near record levels due to record production and lower industrial demand.

Post:
Beijing

Executive Summary:

MY2013/14 corn production is estimated at a record 217 million tons on better than average yields. MY2013/14 consumption is lowered to 213 million tons on lower industrial demand, while ending stocks are projected to reach their highest level in over a decade. Estimated corn imports are lowered to five million tons as China continues to reject corn shipments over biotechnology events that have not yet been approved in China. At the same time, China announces a new policy direction for food security that may increase corn imports in the long run. MY2013/14 rice imports are lowered 200,000 tons to 3.2 million tons based on less competitive international prices. Wheat estimates remain unchanged.

Author Defined:
Corn

Production

MY2013/14 corn production is estimated at 217 million tons, a record high, based on new data from the National Grain & Oil Information Center (NGOIC). The increase from post's last estimate is mainly due to reported better than average yields. While on the ground reports support higher production estimates, it is difficult to account for the full seven million ton increase shown in official data. Provincial governments receive incentives and awards for increasing grain production, and so may be tempted to overstate production. NGOIC has reported increased or stable production every year since 2003.

Consumption

MY2013/14 overall consumption is estimated at 213 million tons, down three million tons from the previous estimate due to reduced industrial use, such as starch, ethanol and alcohol. Estimated feed consumption is unchanged.

In November 2013, the government announced a subsidy to encourage end-users in southern China to purchase corn from surplus producing areas in the northeast. Licensed grain trading companies purchasing corn from designated production regions, include Liaoning, Jilin, Heilongjiang and Inner Mongolia, are eligible to receive a subsidy of RMB 140 per ton for deliveries made by the end of June 2014. The policy is designed to address the recurring challenge of convincing animal feed operators clustered in southern China to buy high-priced domestic corn from surplus producing regions located thousands of kilometers away in the northeast.

Trade

Corn imports for MY13/14 are now estimated at five million tons, two million tons lower than post's last estimate, due to continued trade disruptions. Beginning in November 2013, China began rejecting shipments of imported corn due to detections of biotech corn variety MIR 162, which is not yet approved in China. Faced with these challenges, many traders chose to reroute shipments headed to China to other markets. Some traders have canceled shipments altogether, while others have delayed

contracts in hope that the Ministry of Agriculture will approve MIR 162 before the end of the marketing year. However, there has been no indication that this situation will be resolved quickly. China's slow and unpredictable biotechnology regulatory system, combined with a lack of a low level presence policy for unapproved biotechnology events, has created a challenging environment for agricultural imports that is likely to persist or worsen.

Stocks

MY2013/14 ending stocks are estimated at 76.5 million tons, the highest in over a decade. Although grain stock data is a state secret in China, more than half of the reserves are estimated to be state held. During an annual meeting in January 2014, the State Grain Administration stated that China's grain stocks were at "a relatively high level in history." The government is reportedly building more storage capacity to support its minimum price purchase program. The minimum support purchase price for corn in MY2013/14 is RMB 2,240 per ton, up 120 RMB from the previous year.

Wheat

Wheat estimates are unchanged.

Rice

Production and consumption estimates are unchanged. MY2013/14 rice imports are estimated at 3.2 million tons, 200,000 tons lower than the previous estimate. Trade contacts reported a slowdown in rice sales to China in the second half of 2013 due to higher rice prices in Vietnam and Thailand.

Grain Security Policy

In December 2013, President Xi Jinping announced a tightly coded, but highly consequential, change to China's food security policy. China will now only attempt to maintain "basic" self-sufficiency in corn, and allow for an "appropriate" level of imports. Ensuring overall food security was identified as the number one economic task for the government in 2014. This policy change was cemented in a "Number One Document" issued by the Chinese Communist Party Central Committee on January 19, 2014. Such documents are so called because they are the first policy document of the year, and are reserved for the highest priority policy issues.

The new policy maintains goals to achieve complete self-sufficiency in grain for food use (primarily wheat and rice), but allows for increased corn imports to meet growing feed demand. Existing minimum support price and reserve programs will be maintained for wheat, corn and rice. While these programs help to boost farmer income and production, they cause domestic prices to regularly exceed international prices.

High level documents and statements such as these are important indicators of the future direction of Chinese government policy. However, they should be viewed as broad statements of intent and will not necessarily quickly result in concrete changes to regulations or trade barriers.

PSD tables

Table 1. Corn

Corn China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	33,540	33,540	35,030	35,030	36,100	35,000
Beginning Stocks	49,415	49,415	59,335	59,335	65,570	67,566
Production	192,780	192,780	205,614	205,610	217,000	217,000
MY Imports	5,231	5,231	2,702	2,702	5,000	5,000
TY Imports	5,231	5,231	2,702	2,702	5,000	5,000
TY Imp. from U.S.	5,337	5,337	2,198	2,500	0	4,500
Total Supply	247,426	247,426	267,651	267,647	287,570	289,566
MY Exports	91	91	81	81	100	80
TY Exports	91	91	81	81	100	80
Feed and Residual	131,000	131,000	144,000	144,000	156,000	156,000
FSI Consumption	57,000	57,000	58,000	56,000	60,000	57,000
Total Consumption	188,000	188,000	202,000	200,000	216,000	213,000
Ending Stocks	59,335	59,335	65,570	67,566	71,470	76,486
Total Distribution	247,426	247,426	267,651	267,647	287,570	289,566

Table 2. Wheat

Wheat China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,270	24,270	24,268	24,268	24,150	24,150
Beginning Stocks	59,091	59,091	55,946	55,946	53,960	53,960
Production	117,400	117,400	121,023	121,023	122,000	122,000
MY Imports	2,933	2,933	2,960	2,960	8,500	8,500
TY Imports	2,933	2,933	2,960	2,960	8,500	8,500
TY Imp. from U.S.	597	597	1,174	1,174	0	0
Total Supply	179,424	179,424	179,929	179,929	184,460	184,460
MY Exports	978	978	969	969	1,000	1,000
TY Exports	978	978	969	969	1,000	1,000
Feed and Residual	24,000	24,000	25,000	25,000	25,000	25,000
FSI Consumption	98,500	98,500	100,000	100,000	100,500	100,500
Total Consumption	122,500	122,500	125,000	120,000	125,500	125,500
Ending Stocks	55,946	55,946	53,960	53,960	57,960	57,960
Total Distribution	179,424	179,424	179,929	179,929	184,460	184,460

Table 3. Rice

Rice, Milled China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,057	30,057	30,137	30,137	30,400	30,400
Beginning Stocks	42,574	42,574	45,023	45,023	46,782	46,782
Milled Production	140,700	140,700	143,000	143,000	141,500	141,500
Rough Production	201,000	201,000	204,286	204,286	202,143	202,143
Milling Rate (.9999)	7,000	7,000	7,000	7,000	7,000	7,000
MY Imports	1,790	1,790	3,100	3,100	3,400	3,200

TY Imports	2,900	2,900	3,200	3,200	3,400	3,200
TY Imp. from U.S.	0		0		0	
Total Supply	185,064	185,064	191,123	191,123	191,682	191,482
MY Exports	441	441	341	341	350	350
TY Exports	267	267	425	425	350	350
Consumption and Residual	139,600	139,600	144,000	144,000	146,000	146,000
Ending Stocks	45,023	45,023	46,782	46,782	45,332	45,132
Total Distribution	185,064	185,064	191,123	191,123	191,682	191,482